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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

MAR 16 1992

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended January 31, 1992

Commission File Number 0-10859

BIOPLASTY, INC.

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PROCESSED BY
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State of Incorporation: Minnesota
I.R.S. Employer Identification No.: 41-0972771

Executive Offices: 1385 Centennial Drive, St. Paul, Minne
Telephone Number: (612) 636-4112

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes__X__ No_____

On January 31, 1992 there were 4,039,150 shares of the Registrant's $.01 par value common stock outstanding.

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AVAILABLE

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIOPLASTY, INC.

CONSOLIDATED BALANCE SHEETS

ASSETS

	January 31, 1992	July 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 6,356,945	$ 9,093,322
Short-term investments	1,100,000	1,100,000
Accounts receivable		
Trade, less allowance for doubtful accounts of $285,000	1,059,793	1,643,538
Affiliates	750	11,183
Refundable income taxes	547,000	
Inventories	1,837,026	1,827,305
Prepaid expenses	622,632	101,203
Deferred income taxes	235,000	185,000
Total current assets	11,759,146	13,961,551
PROPERTY, PLANT & EQUIPMENT, AT COST		
Land	680,000	230,000
Building and improvements	420,584	420,584
Equipment	1,445,005	1,021,268
	2,545,589	1,671,852
Less accumulated depreciation and amortization	(940,168)	(847,237)
	1,605,421	824,615
OTHER ASSETS		
Deferred income taxes		42,000
Intangibles, net of accumulated amortization	435,021	364,272
Cash value of life insurance	38,575	36,981
	473,596	443,253
	$ 13,858,163	$ 15,229,419

BIOPLASTY, INC.

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	January 31, 1992	July 31, 1991
CURRENT LIABILITIES		
Current maturities - long-term debt	$ 43,442	$ 36,137
Accounts payable		
Trade	646,274	536,409
Affiliates	321,230	194,394
Accrued liabilities		
Compensation and payroll taxes	361,085	418,400
Directors' Royalties	18,704	209,297
Litigation Settlement	3,300,000	
Other	341,170	178,879
Income taxes payable	25,000	209,000
Total current liabilities	5,056,905	1,782,516
LONG-TERM DEBT, LESS CURRENT MATURITIES	337,734	329,990
SHAREHOLDERS' EQUITY		
Common stock $.01 par value; 12,000,000 shares authorized; 4,039,150 shares outstanding at January 31, 1992 and 4,005,518 at July 31, 1991	40,391	40,055
Capital in excess of par value	12,978,863	12,868,774
Retained earnings (deficit)	(4,616,870)	221,495
Cumulative translation adjustment	41,140	(13,411)
	8,443,524	13,116,913
	$ 13,838,163	$ 15,229,419

BIOPLASTY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended January 31,		Six Months Ended January 31,	
	1992	1991	1992	1991
Net revenue	$ 1,778,862	$ 3,068,391	$ 4,377,288	$ 5,519,503
Cost of revenue	1,074,050	816,017	2,028,262	1,671,839
Gross profit	704,812	2,252,374	2,349,026	3,847,664
Selling, general and administrative	5,621,078	1,697,937	8,093,872	3,059,580
Operating income (loss)	(4,916,266)	554,437	(5,744,846)	788,084
Other income (expense)				
Interest and dividend income	93,190		219,219	
Interest expense	(12,373)	(22,492)	(29,946)	(36,546)
Foreign currency transactions	63,159	1,818	146,596	(2,867)
Miscellaneous	112	(6,917)	1,612	4,723
Income (loss) before taxes	(4,772,178)	526,846	(5,407,365)	753,394
Income tax expense (benefit)	(403,215)	103,013	(569,000)	188,500
NET INCOME (LOSS)	$ (4,368,963)	$ 423,833	$ (4,838,365)	$ 564,894
Net income (loss) per common and common equivalent share	$ (1.09)	$ .13	$ (1.21)	$ .18
Weighted average number of common and common equivalent shares outstanding	4,024,425	3,157,124	4,010,350	3,130,142

BIOPLASTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended January 31,	
	1992	1991
Increase (decrease) in cash		
Net cash used in operating activities	$ (1,948,787)	$ (99,882)
Cash flows from investing activities:		
Payments for property, plant and equipment	(841,236)	(265,320)
Payments for intangible assets	(91,720)	(43,439)
Net cash used in investing activities	(932,956)	(308,759)
Cash flows from financing activities:		
Net borrowings under line-of-credit agreement		125,000
Proceeds from long-term obligations		82,634
Payments on long-term obligations	(17,451)	(15,328)
Proceeds from issuance of common stock	110,425	35,722
Net cash provided from financing activities	92,974	228,028
Effect of exchange rate changes on cash	52,392	45,002
Net decrease in cash and cash equivalents	(2,736,377)	(135,611)
Cash and cash equivalents at beginning of period	9,093,322	373,402
Cash and cash equivalents at end of period	$ 6,356,945	$ 237,791

FOOTNOTES TO THE INTERIM FINANCIAL STATEMENTS

(1) The interim financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for such periods. All such adjustments are of a normal recurring nature, except that reserves totalling approximately $4.5 million have been established for shareholder, former employee and product liability lawsuits, breast implant inventory write-downs, and for future returns of silicone breast implants.

The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the audited financial statements and notes thereto contained on the Company's annual report for the year ended July 31, 1991.

(2) Subsequent to the issuance of the Company's July 31, 1992 financial statements, the Food and Drug Administration ("FDA") has held a series of public hearings concerning the appropriateness of continuing to allow manufacturers to market silicone breast implants. On January 6, 1992, the FDA requested all manufacturers to comply with a voluntary moratorium on further sales pending additional public hearings on the safety of the silicone implants. At the conclusion of these additional hearings on February 20, 1992, the panel recommended to the FDA that it severely limit the future sale of silicone implants. By April 20, 1992, the FDA is expected to make another determination regarding the Pre-Market Approval ("PMA") Applications covering the silicone gel-filled breast implants and the future marketability of such products in the U.S.

The FDA has indicated that the PMA submitted by the Company covering its silicone gel-filled mammary prostheses contained significant deficiencies and potential improprieties regarding the scientific data submitted to support the products' safety and efficacy. However, on March 5, 1992, the Company withdrew from the FDA the PMA covering its silicone gel-filled breast implants and the IDEs covering the MISTI GOLD breast implants and the Uroplastique Micro-Implants. Withdrawal of the silicone implant PMA precludes any future U.S. sales of the products, and precludes their export to foreign markets. The MISTI Silicone implants have also been withdrawn from the market by requesting that customers return any product not yet implanted. The Company intends to resubmit the IDEs on MISTI GOLD and Uroplastique, the approval of which by the FDA would initiate the start of clinical studies on the products in the U.S. Requests for export authorizations will also be made to the FDA for MISTI GOLD and Uroplastique, which are typically granted in situations where IDEs are on file and foreign country import approval has been obtained.

Future sales of silicone gel-filled mammary prostheses in foreign markets could be detrimentally impacted by the on-going and ultimate determinations made by the FDA regarding the products and by the Company's withdrawal of its PMA covering the MISTI silicone gel-filled breast implants.

(3) The Company has various litigation which has been summarized in Note 8 to the consolidated financial statements contained in the 1992 Annual Report to Shareholders on Form 10-K.

The Company and certain of its existing and former officers and directors were named as defendants by a former employee who alleged wrongful termination. In December, 1991 the Company settled this lawsuit which resulted in a charge to operations of $220,000 in the quarter ended October 31, 1991.

In February, 1992, the Company and plaintiffs' attorneys signed a Memorandum of Understanding whereby the Company agreed to pay $1.7 million in cash and to issue warrants valued at approximately $1.6 million to settle pending alleged class action securities litigation, which alleges fraud and misrepresentation regarding the Company's disclosure of the regulatory status with the FDA of certain mammary prostheses products. A change to operations of $3.3 million has been made in the second quarter ending January 31, 1992. The Memorandum is not binding, and the proposed settlement is subject to several conditions.

On November 27, 1991, McGahn Medical Corporation, a competitor of the Company and subsidiary of Inamed Corporation, served the Company with a lawsuit filed against it and certain of its officers in United States District Court, District of Minnesota for allegedly infringing on McGahn's United States Patents on mammary implant prostheses. Relief being sought by McGahn Medical Corporation includes a preliminary and final injunction against further infringement by defendants, a judgment for damages and costs and attorney's fees.

The Company has been served with several product liability complaints alleging personal injury from its mammary prostheses products. Some of these complaints are seeking class action status. Costs and ultimate losses associated with these claims are not currently estimatable.

(4) In mid-February 1992, the Company announced that its urological business would be transferred to a separate corporation, and then the shares of that corporation would be distributed to Bioplasty shareholders as a stock dividend. The separate corporation will be named Uroplasty, Inc., and the stock dividend will be made after all definitive transfer documents have been properly executed and the Uroplasty, Inc. stock has been properly registered pursuant to state and federal securities regulations. The urological business to be transferred is comprised of tangible net assets in a yet undetermined amount together with the Uroplasty business, which accounted for less than 1% of net revenues in fiscal 1991. Clinical studies of Uroplastique™ Micro-Implants have been conducted overseas, with what management feels are successful results, and marketing authority has been received in certain foreign countries although no significant revenues have yet been generated. No U.S. regulatory authorization has been received on the Uroplastique™ Micro-Implants, however, the Company is hopeful that U.S. clinical studies will eventually be initiated.

(5) Refundable income taxes of $574,000 recorded in the accompanying financial statements represent taxes paid in prior years to be received upon carryback of the current period losses. As of January 31, 1992, there exists net operating loss carryforwards of approximately $3.9 million. Domestic net deferred tax charges, representing the effects of differences in recognizing certain income and expense items for financial reporting and tax purposes, have not been recorded since realization of such amounts is not assured. When the existing net operating loss carryforwards for financial statement purposes have been fully utilized in subsequent years, the amounts eliminated from the deferred tax accounts will be reinstated, to the extent they have not been reversed.

(6) On February 25, 1992, Mr. Arthur A. Beisang resigned as Chairman of the Board and Chief Executive Officer of Bioplasty, Inc. On March 1, 1992, another director and a director/officer resigned. Both Mr. Beisang and the director/officer have taken director and officer positions with Uroplasty, Inc., a wholly-owned subsidiary of Bioplasty, Inc.

The Board of Directors of the Company have appointed Daniel G. Holman to succeed Mr. Beisang as Chairman of the Board, while Mr. Timothy P. Lawin was appointed to the position of Chief Executive officer, in addition to his current role as President of Bioplasty, Inc. The Board of Directors and management will decide at a later date whether to fill the vacancies created by the resignations of these individuals.

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

At January 31, 1992 the Company had working capital of $6,702,241 and a current ratio of 2.33 to 1 compared to working capital of $12,179,035 and a current ratio of 7.83 to 1 at July 31, 1991. Decreases in working capital and the current ratio are attributable primarily to approximately $4.5 million of reserves established for various existing lawsuits, breast implant inventory write-downs, and future breast implant returns. Additionally, cash has been used in operations due primarily to the elimination of sales of breast implants in the U.S. marketplace, and the increased costs incurred to manage existing legal and regulatory activities.

Net revenue for the three months ended January 31, 1992 was $1,778,862 compared to $3,068,391 or a 42% decrease from sales for the three months ended January 31, 1991. Net revenue for the six months ended January 31, 1992 was $4,377,288 or an 21% decrease compared to the six months ended January 31, 1991. The decreases in revenues for the three and six month periods ending January 31, 1992, are a result of the elimination of sales in the U.S. of breast implants and the establishment of reserves for future returns of silicone gel-filled breast implants as of January 31, 1992. The elimination of breast implant sales in the U.S. is the result of the regulatory controversies affecting the breast implant industry.

Operating expenses for the three months ended January 31, 1992 were $ 5,621,078 compared to $1,697,937 for the three months ended January 31, 1992. Operating expenses for the six months ended January 31, 1992 and 1991 were $8,093,872 and $3,059,580, respectively. The escalation of operating expenses is primarily the result of the abovementioned reserves established and increased costs incurred for legal and regulatory activities.

Although the financial condition of the Company is currently strong, its future success is dependent upon the outcome of various contingencies. Included among those contingencies are the current and any future product liability lawsuits regarding the Company's breast implants products, final settlement of the shareholder suit, and the maintenance of existing worldwide marketing authorizations and receipt in the future of necessary marketing authorization for its products, including MISTI GOLD breast implants and Bioplastique and Uroplastique Micro-Implants.

PART II. OTHER INFORMATION

ITEM 5. Other Information

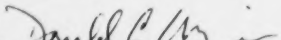
None of the items contained in Part II of Form 10-Q are applicable to the Company for the quarter ended January 31, 1992.

SIGNATURES

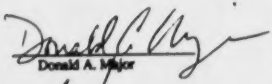
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

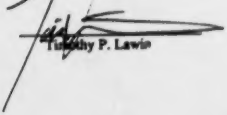
BIOPLASTY, INC.

March 13, 1992

BY: 
Donald A. Major
Vice President of Finance
Chief Financial Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities on the dated indicated.


Donald A. Major — Vice President of Finance (Chief Financial Officer) — March 13, 1992


Timothy P. Lavin — President (Chief Executive Officer) — March 13, 1992